



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

Michael O. Leavitt  
Governor  
Lowell P. Braxton  
Division Director

m/023/007

**FACSIMILE COVER SHEET**

DATE: June 12, 2001

NUMBER OF PAGES INCLUDING THIS COVER SHEET: 5

TO: Steve Flesher  
North Lily Mining

FAX NUMBER: 1-303-293-2235

FROM: Joelle

Minerals Reclamation and Development Program

PHONE: (801) 538-5291

FAX: (801) 359-3940

SUBJECT: Partial Bond Release Letters - North  
Lily - m/023/007

REMARKS: Original's will be in today's mail -

**Should you encounter any problems with this copy, or do not receive all the pages, please call**

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TRANSACTION REPORT

P. 01

JUN-12-2001 TUE 03:05 PM

FOR: OIL, GAS & MINING

801 359 3940

DATE	START	RECEIVER	TX TIME	PAGES	TYPE	NOTE	M#	DP
JUN-12	03:03 PM	13032932235	1' 35"	5	SEND	OK	289	

TOTAL : 1M 35S PAGES: 5



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## FACSIMILE COVER SHEET

DATE: June 12, 2001

NUMBER OF PAGES INCLUDING THIS COVER SHEET: 5

TO: Ann Norman  
Wells Fargo Bank  
Payson Utah

FAX NUMBER: 1-801-465-4305

FROM: Wayne Hedberg  
Minerals Reclamation and Development Program

PHONE: (801) 538-5291

FAX: (801) 359-3940

SUBJECT: Authorization of Partial Release of Surety-  
North Lily Mining Co - M/023/007.

REMARKS: hard copies of letters forthcoming  
via regular mail.

Thank you for your help.

Should you encounter any problems with this copy, or do not receive all the pages, please call

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P. 01

JUN-12-2001 TUE 04:03 PM

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DATE	START	RECEIVER	TX TIME	PAGES	TYPE	NOTE	M#	DP
JUN-12	04:02 PM	18014654305	1'38"	5	SEND	OK	293	

TOTAL : 1M 38S PAGES: 5



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TO:

Ann Norman  
Wells Fargo Bank  
Payson Utah

FAX NUMBER: 1-801-465-4305

FROM:

Wayne Hedberg

Minerals Reclamation and Development Program

PHONE:

(801) 538-5291

FAX:

(801) 359 3940



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June 12, 2001

Ann Norman  
Branch Manager  
Wells Fargo Bank  
95 North Main  
Payson, Utah 84651

Re: Authorization for Partial Release of Reclamation Surety, Certificate of Deposit (CD), North Lily Mining Company, Tintic Project, M/023/007, Juab County, Utah

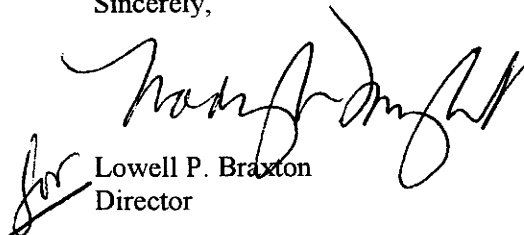
Dear Ms. Norman:

Wells Fargo Bank (formally First Security Bank) is presently holding a Certificate of Deposit #~~00000000~~ for the benefit of the State of Utah, Division of Oil, Gas and Mining as a form of reclamation surety for North Lily Mining Company's, Tintic Mine Project. At the company's request and after site inspections to verify that reclamation work has been satisfactorily completed, this letter will authorize the release of sufficient principal to reduce the face value of the Certificate to no less than \$32,500 dollars. As of June 6, 2001, the Certificate balance with interest was reported at \$163,808 dollars. The partial payment should be directed to North Lily Mining Company (see attached release notification letter). We understand that a 3-month interest penalty may apply for early withdrawal of the certificate.

When this transaction has been accomplished, please furnish us with written confirmation that appropriate funds have been released and that the balance of retained funds will remain at \$32,500.

If you have any questions or concerns, please contact Mary Ann Wright at (801) 538-5306, or Wayne Hedberg at (801) 538-5286. Again, thank you for your help in this matter.

Sincerely,

  
for Lowell P. Braxton  
Director

jb

Attachment: 6/12/2001 release letter

cc: Steve Flechner, North Lily  
Mary Ann Wright, DOGM  
Wayne Hedberg, DOGM

O:\northlily\M23-07-interest-rel.doc



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June 12, 2001

Mr. Steve Flechner  
North Lily Mining Company  
1800 Glenarm Place  
Denver, Colorado 80202

Re: Approval of 2<sup>nd</sup> Request for Partial Bond Release, North Lily Mining Company, Tintic Project, M/023/007, Juab County, Utah

Dear Mr. Flechner:

On June 1, 2001, North Lily made a formal request for a 2<sup>nd</sup> partial bond release for reclamation work completed at North Lily's Tintic Project. North Lily has requested that \$108,024 (plus appropriate contingency and escalation factor adjustments) be released from the required \$155,100 certificate balance. The reduction amount was based upon the itemized costs contained in the current reclamation bond estimate. Your letter requested credit for the following reclamation tasks:

- \$ 5,000 (Demolition of Buildings and Facilities)
- \$ 9,696 (Debris & Equipment Removal)
- \$ 470 (Regrade Facilities Area)
- \$ 5,640 (Regrade Solution Ponds)
- \$ 704 (Ripping Stockpile and Compacted Areas)
- \$19,380 (Topsoil Replacement)
- \$ 1,070 (General Site Clean-up and Trash Removal)
- \$ 500 (Equipment Mobilization)
- \$ 2,790 (Reclamation Supervision)
- \$59,798 (Post Closure Fluid Management System)
- \$ 2,976 (Construction Supervision)

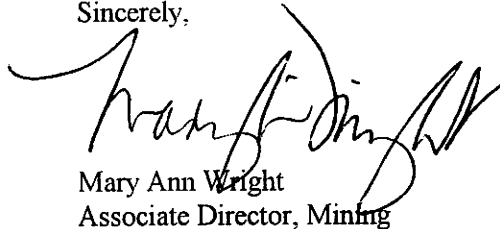
We have reviewed the reclamation tasks performed and the dollar amounts requested. As you know, OGM and DWQ staff have performed onsite inspections confirming that these tasks are completed. Both agencies agree that this partial bond release is justified. A total of \$122,600 dollars is hereby released, which includes contingency and escalation factors. We will instruct Wells Fargo Bank to retain \$32,500 of the current certificate balance for the post-closure monitoring provisions and the residual revegetation work that must be completed this fall (see attached cost breakdown sheet). Any accrued interest above the \$155,100 base amount may also be released to North Lily.

Page 2  
Steve Flechner  
North Lily Mining Company  
June 12, 2001

The Division will forward the necessary paperwork to Wells Fargo Bank authorizing release of these funds to North Lily to meet its payment obligations for the project reclamation work performed to date. Thank you for your cooperation in moving the closure and reclamation work forward so that the July 1, 2001 project deadline could be met. We look forward to meeting with you onsite on June 26th to jointly review the status of the successful reclamation work performed to date.

If you have any questions in this regard, please call me, or Wayne Hedberg of my staff at (801) 538-5306 and 538-5286, respectively.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Ann Wright", is written over the typed name and title.

Mary Ann Wright  
Associate Director, Mining

jb

Attachment: Revised Reclamation Cost Estimate

cc: Bob Bayer, JBR  
Dennis Frederick, DWQ  
Wayne Hedberg, OGM  
Doug Jensen, OGM

M23-07.BondRed2.doc

